

## Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 COME-00 DODE-00 FPC-01 H-01 INR-07 INT-05

L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07

SP-02 SS-15 STR-05 TRSE-00 ACDA-12 /106 W

-----091919 231543Z /44

R 231240Z NOV 77

FM AMCONSUL DHAHRAN

TO SECSTATE WASHDC 5832

AMEMBASSY JIDDA

INFO AMEMBASSY ABU DHABI

AMEMBASSY DOHA

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

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E.O. 11652: N/A

TAGS: ENRG, SA

SUBJECT: SAUDI GAS GATHERING PROGRAM

1. THIS CABLE IS JOINT EMBASSY JIDDA/CONGEN EFFORT TO GIVE  
UPDATE REPORT ON SAUDI GAS GATHERING PROJECT.

2. THE AMBITIOUS SAUDI GAS RHVCING SYSTEM, ORIGINALLY  
PLANNED TO "TURN OUT THE GAS FLARES," WAS CUT BACK DURING  
1976 AS ITS PROJECTED COST SKYROCKETED, AND PRBLEMS  
ASSOCIATED WITH MARKETING THE LARGE QUANTITIES OF NGL'S  
UNDER CONSIDERATION BECAME CLEARER. ARAMCO ANNUAL REPORT  
FOR 1976 STATES THAT OVERALL SYSTEM WILL EVENTUALLY TREAT  
4 BILLION CUBIC FEET PER DAY OF ASSOCIATED GAS -- STILL AN  
IMPRESSIVE FIGURE, BUT DOWN SUBSTANTIAALLY FROM 6.5 BILLION  
FEET PER DAY ORIGIANLLY FORESEEN.

3. PETROMIN SOURCES HAVE TOLD EMBOFF THAT CURRENT  
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PLAN IS FOR SYSTEM WHICH WOULD PROCESS 3.5 BILLION  
CUBIC FEET DAILY, AT CONSTRUCTION COST OF \$14 BILLION,  
BY END 1984. PRODUCTION OF NGL'S WOULD BE 185,000 B/D  
OF PROPANE, 80,000 OF BUTANE, AND 60,000 OF NATURAL  
GASOLINE; A GAS STREAM OF 370 MILLION CUBIC FEET/DAY  
OR ETHANE AND 1,400 MILLION B/D OF METHANE WOULD FEED  
THE PETROCHEMICAL AND OTHER INDUSTRIES KINGDOM HOPES TO

ESTABLISH AT TWO NEW CITIES OF JUBAYL AND YANBU. THE ABOVE PRODUCTION FIGURES ARE ADDITIONAL TO ARAMCO'S EXISTING LPG FACILITIES AT ABQAIQ AND RAS TANURA, WHICH HAVE A CAPACITY OF 267,000 B/D. 4,100 METRIC TONS/DAY OF SULFUR WOULD ALSO BE PRODUCED FROM THE TOTAL SYSTEM.

4. WE UNDERSTAND THAT THE ABOVE PLAN HAS NOT BEEN OFFICIALLY APPROVED BY THE SAG SUPREME PETROLEUM COUNCIL, BUT THAT ARAMCO HAS IMPLICIT AGREEMENT TO PROCEED. THE FIRST ELEMENT, A 54,000 B/D NGL PLANT AT BERRI, WAS COMMISSIONED LAST MONTH. THE PLAN IN EFFECT WILL UTILIZE THE GAS ONLY FROM THE GHAWAR, ABQAIQ, QATIF AND BERRI FIELDS NEAREST TO THE REFINERY AND INDUSTRIAL ZONE; GAS FROM THE IMPORTANT SAFANIYA AND OTHER NORTHERN OFFSHORE FIELDS, AS WELL AS INLAND FIELDS SUCH AS KHURAI, WILL STILL BE FLARED WET. ALTHOUGH THE METHANE STREAM WILL NOT BE ADEQUATE TO FEED ALL OF THE ORIGINAL INDUSTRIAL PLANS SET FOR JUBAYL, SOME OF THOSE PROJECTS HAVE BEEN REDUCED IN SCOPE ALREADY AND OTHERS MAY BE IN FUTURE AS A RESULT OF THE FEASIBILITY STUDIES NOW UNDERWAY. THE NGL PIPELINE TO THE RED SEA COAST IS STILL PLANNED FOR CONSTRUCTION IN 1979 (ARAMCO HAS ALREADY BEGUN TO PROCURE THE PIPE).

5. MALCOLM QUINT, ADMINISTRATOR OF POLICY AND PLANNING DEPT. OF ARAMCO, RECENTLY GAVE VISITING GAO TEAM SLIGHTLY DIFFERENT ACCOUNT OF GAS GATHERING PROJECT. ACCORDING LIMITED OFFICIAL USE

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QUINT, SYSTEM WILL BE CAPABLE OF PROCESSING 4 TO OVER 5 BILLION CUBIC FEET PER DAY OF ASSOCIATE GAS (4 BILLION CUBIC FEET PER DAY OF PROCESSED GAS IS ASSOCIATED WITH PRODUCTION RATE OF 8 MILLION BARRELS OF OIL PER DAY). TOTAL COST OF PROJECT TO BE ABOUT \$16 BILLION. QUINT SAID THAT BASED ON CRUDE OIL PRODUCTION RATE OF 12 MILLION BARRELS PER DAY, TREATED GAS IS EXPECTED TO YIELD 554,000 BARRELS PER DAY OF NGL. AMOUNTS OF NGL PROCESSED TO YIELD PROPANE, BUTANE, NATURAL GAS, GASOLINE AND ETHANE WOULD VARY WITH CRUDE OIL OUTPUT.

7. FIRST PHASE OF PROJECT, OF WHICH RECENT COMMISSIONING OF BERRI PLANT WAS FIRST ELEMENT, SHOULD BE COMPLETED DURING 1982, AND SECOND PHASE TO BE COMPLETED BY 1985. GAO TEAM WAS TOLD THAT FUNDS AVAILABLE TO ARAMCO FOR GASIFICATION PROJECT ARE DIRECT RESULT OF CURRENT OIL PRODUCTION LEVELS. TO DATE, ARAMCO FUNDS HAVE BEEN USED EXCLUSIVELY, AND NO FUNDS HAVE BEEN REQUESTED FROM SAG. (THIS LATTER POINT MAY NOT BE TOTALLY CORRECT SINCE CONOFF WAS TOLD BY CHIEF ECONOMIST AT ARAMCO THAT ARAMCO IS EXPERIENCING CASH FLOW PROBLEMS BECAUSE OF HUGE EXPENDITURES FOR GASIFICATION PROJECT AND

FOR ELECTRIFICATION PROJECT FOR SAG AND THAT ARAMCO MIGHT HAVE TO OBTAIN OUTSIDE FUNDS. ARAMCO CHAIRMAN JUNGERS ALSO RECENTLY TOLD CONSUL GENERAL HE HAD MET WITH YAMANI IN RIYADH REGARDING THIS VERY SERIOUS CASH FLOW PROBLEM).

8. COMMENT: IN SPITE OF REDUCTION IN GASIFICATION PROGRAM (FROM ORIGINAL 6 BILLION CUBIC FEET PER DAY OF PRODUCTION TO SOMETHING OVER 4 BILLION), EVEN REDUCED PROGRAM REPRESENTS A MONUMENTAL CONSTRUCTION UNDERTAKING.  
BUSHNELL

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## Message Attributes

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